[music] Voice Over: Welcome to the R.E.I. Diamonds Show with Dan Breslin, your source for Real Estate Investment, Jewels of Wisdom.

Dan Breslin: Welcome to the R.E.I. Diamonds Show. I am your host, Dan Breslin. And this is Episode 169 on Investing in Real Estate using an IRA with Jason De Bono.

If you are into real estate investing and building wealth, congratulations! You are in the right place. My role here on the R.E.I. Diamonds Show is to invite guests who specialize in building wealth such as real estate investors and other industry service providers and to draw out the jewels of wisdom - those tactics, mindsets, and methods - used to create millions of dollars or more in the business of real estate.

One of the key reasons that my company, Diamond Equity Investments, has grown to closing more than two hundred deals per year is the private bank strategy. Today's guest, Jason, joins us to discuss the strategy, that private bank strategy, that investors are using where they construct their own private bank using money sourced from the IRA accounts of people that are already in your network to fund fix and flip deals.

So the IRA owner, the investor in the private bank scenario, enjoys the high yield provided by the fix and flip investor, usually around ten percent - a little less, little more - plus some points while the fix and flip investor is able to operate a larger number of deals with the additional access to capital. It is a true win-win. It drives the real estate fix and flip business throughout the entire US.

Jason and I also discussed several unique deal examples including my first ever private-money funded fix and flip deal, oh, so many years ago. If you are currently flipping houses and have not yet mastered the use of self-directed IRA money for your deals, you are about to discover the most abundant source of private money in the US. It is a game-changer.

On the flip side, if you currently have an old IRA from previous employer, job, you just saved it up, and you would love to see that IRA account produce higher returns or maybe more consistent returns than its currently producing, Jason covers the method that many investors have been using to do just that.

Please note my disclaimer, neither Jason nor myself are providing investment, legal, or tax advice during this episode. We are not professional investment advisors. Any strategies or examples discussed here are provided from our own investing and business activities. If you are seeking legal, tax, or investing advice, I suggest you consult with the appropriate licensed professional.

With that out of the way, let us get on to the show.

All right. Welcome to the R.E.I. Diamonds Show, Jason. How are you doing today?

Jason DeBono: I am doing well, Dan. How are you?

Dan: I am doing well. We usually location-stamp this at the beginning. I am in Chicago. You are recording from where at the US or world?

Jason: I am in sunny Florida, just outside of Orlando.

Dan: Nice. Nice. Yes. We had a nice day shaping up here late in the afternoon in Chicago. I mean it was snowing I think this time last year. But it is 68 degrees here out the window now. You, guys, are spoiled. You get that weather all the time.

Jason: Well. This is the time of the year that all the Floridians really start to brag about living in Florida. We are, I think, on the tail end of the obnoxious heat and starting to enter in the few months of just gorgeous fall weather.

Dan: Yes. I am probably putting it into my calendar flight, January 10th, to maybe get down there for a week or a month or something like that. I will wait until it is prime season before I head on down.

Jason: Yes. It is amazing how many due diligence requests that people have from January to the end of February that come from up north. We love it, and we love being here certainly through the fall and winter.

Dan: Nice. Nice. All right. Cool. For listeners who might not know who you are, Jason, do you want to kind of give a little bit of a background and what you do in real estate and what your function is in the industry today?

Jason: Sure. I am the Vice President of NuView Trust Company. We are a third-party custodial firm that holds retirement accounts that invest outside the stock market, so into Main Street investments like real estate.

I have been here a little over fifteen years. It has been great professionally. But it has also been great personally as it has afforded me the ability to really learn and understand how people make money in real estate and real estate-related investments.

I have done a good bit of private lending over the last fifteen years. I have done a handful of real estate deals both buy and hold as well as fix and flip. I have partnered off on a variety of some more unique deals as they have come across my desk. But for the most part, private lending and real estate have been my personal investment bread and butter over the last fifteen years.

Dan: Nice. You had mentioned something there in the introduction. But you said it a little more detailed before we got on our call and start the recorder here for the audience to hear. It was something along the lines of like, "Hey, it is funny how being in my position," meaning you, "and seeing all the deal flow at NuView over time." And you were like, "It is amazing how the real money is made in real estate versus how mainstream people think the money is made in real estate."

Would you mind going into a little bit of detail of that observation and the perspective of how it really is versus maybe the mainstream idea of real estate investing?

Jason: Yes. I appreciate that question because it is something that over the years has really changed kind of my viewpoint.

When I started with NuView, I always viewed real estate investments really through the lens of my Dad as having done real estate investing growing up. It was always kind of buy a house and rent it out, and every twelve to twenty-four months, you go and rip the urine-infested carpet out, and clean it up, and bring in the new tenant. I kind of always viewed that was how real estate was done, and it is just the way that it works. You buy it, and you rent it, and eventually, you sell it.

What I had no real clue on is what fix and flips were as an idea. I had no idea what private lending was, that you could be a real estate investor and have all the benefits of collateral from a real estate standpoint but not actually own the property. I had no idea that there were ways that you could engage in real estate transactions without ever physically owning the property like wholesaling properties. I had no idea that you could joint-venture. There were people out there that would do all the legwork, and I can just passively invest, so I am not the one ripping carpet out when the tenants move out.

It really opened my eyes very quickly to understand that, man, this real estate model is not just a kind of a one-and-done type opportunity. There is nothing wrong with the buy-and-hold rental model. I have some rental property because I think it is a good long-term strategy.

It has been cool to see and rewarding personally to kind of understand how that works and how people really take advantage of all the different strategies around real estate and related investing.

Dan: Yes. That is spot-on. It is so ironic that you talk about that. My Grandpop died maybe I was seven or eight years old; I think. I remember a little bit of his property management in the City of Philadelphia. We would go down and watch I think it is the Mummers Parade. It is kind of the New Year's Parade in Philly. He would have vacant units right along the parade route. It was freezing cold in there, but we would look right out the window. It was better than being on the street to watch the parade at that time. I remember doing that. It was the buy-it-and-rent-it kind of a model. He did not actually own it. He was a property manager I think for the archdiocese or something like that.

But then my Dad, around that same time, he was buying a house, and he would fix it up, and then they would rent it out. I do not think they were actually selling any of them. They got to three or four. The partners had a rift. That was the end of my Dad in real estate.

I was like you, Jason. I had the thought that "Oh, yes. This is how you do real estate." You buy this Junker of a house. You spend three, four, five months a year fixing it up. And then you rent it out.

When I did the numbers back then, the numbers, hands down, kicked the ass of my paper out that I was running with a whole lot less effort once the rent started coming in. I knew way back then;

my dream was to get into real estate and flip a house.

For me, it was coming from a place of no money. I had no money. I did not know about these other models. Luckily, my Dad did pull the trigger on this ten-thousand-dollar seminar or program. They were big. They are probably still big out there. But in 2006, when we went, it seemed they were everywhere with the real estate boom going on.

They talked about those same kinds of things you did, the JV, right? You talked about being on the passive side of the JV. Well, a couple of my first deals with a partner who I am still in business with today, I was the source of deals. I had no money, Jason. Like, "Where was Dan Breslin going to bring something of value to the table in a real estate industry," right? It was kind of like, "On the other side, you got money. You are going to fund some deals. You are going to fund some flips. You are going to fund TIVs."

So I landed on the idea of becoming the source of deals. No one in the industry was going to find more deals than Dan Breslin was going to find. Still to this day, that is kind of our cutting edge here.

I mean we did two hundred and one deals year-to-date right now. We have got a hundred fifty-eight more in our inventory as we speak. We did two hundred and twenty-three last year. And those all stemmed from my honing in on and locking in on being the source of deals. It is a big team. There are probably twenty-five partners now in part of the company.

Back to the lending piece, right - this is a point I am getting around to here in a roundabout way - I had no money. We were at those seminars way back when. They were teaching us about fixing and flipping and the discount you need. "Here is how you make the offer," and all that. "I am going to teach you how to get the money for the flips. You want to create a private bank." "Oh, that sounds nice. Yes, a private bank."

Essentially, that was the first time that I had heard that you could raise money from people who had money in IRA that was kind of sitting dormant from old jobs. Say, a guy has two hundred thousand. A girl has a quarter million, and it is from some job she left ten years ago. It is just sitting there in the market, right? They do not know what to do with them. They are just kind of hanging out there until they retire maybe.

The theory behind the private bank was you make a business almost on your own personal investing business of establishing new relationships. Maybe it is people you already know. And then you are sort of connecting the dots education-wise, right? You are bringing to the table the knowledge of the self-directed IRA. Maybe you would be able to put a little more detail on this. But essentially, go out. Find six, seven, eight, nine, ten people. Now, you have accessed five hundred thousand, million, whatever it is, by kind of connecting the dots for that lender to become the passive side of the equation flipping if you are the active side which I was. I was the person who brought the deal to the table. I would run the fix and flip. I would sell the property, and then I pay off. I pay ten percent and two points to my private lenders. I still do that to this day. But I was the active side. I know a lot of people in the audience are the active side. And setting up a private bank will be a huge game-changer.

Would you mind maybe touching on what the conversation would look like for an investor who is fixing and flipping deals now, and they know somebody who has this IRA from their old job that is sitting dormant? What would that conversation look like to engage a custodian like yourself, your company, NuView, and this potential private lender to kind of put the pieces together so that they could flip more property and really take the limits off for their business?

Jason: Well, you hit on kind of the biggest challenge that real estate investors will come across, and that is capital. Any good investor, regardless of how much capital they have access to, will always want more capital, right, more capital, more deals. The way that real estate investing becomes a business is when it scales, right, to your point of doing two hundred deals, that is a business. If you did two, it is not really a business. You probably need a day job, and you are just a passive investor.

Finding money is, no matter what stage you are in your investment career, is critical. Finding money that you can tap into that is patient, long-term money is really a strategy that should be considered and executed on.

When we talk about how do you go get money, well, the first-time investors and kind of new or novice investors, they are going to scrape their savings. They are going to ask some people they know. All those things are good and great.

But if you want to scale, you need a bank. You could go to a traditional bank. But depending on the deals that you are doing, you are not going to be able to work through a traditional bank long, because you are going to exceed any capital they are going to extend especially when you start looking at properties that are in disrepair or properties that need to close in a couple of days. It just does not fit the model of a traditional bank.

You have the opportunity to go to private, hard-money lenders. The problem is that can be expensive. Then you have got to go through a little bit more robust underwriting every time, and the goalpost can move, and they may be tapped out of cash, et cetera.

So when we talk about this kind of private bank model, it is really geared around identifying as many people as you need in your arsenal and in your group that you can build trust with over time. The thing that we start with is you have got to have that discussion with these potential lenders. There is no great way to do that. Obviously, the way that feels most comfortable to you is the one you should deploy. But it really starts with the introduction to what you do and why you do it and how you do it and the opportunity that that lends.

For example, Dan, I may say, "Hey, Dan. We have been friends for a long time. I do not know if you are familiar with the fact that I am a real estate investor, that I am getting into real estate. Here is how I have been making money. I would love for you to be able to kind of join me in that journey. Here is a way that you can proactively participate with me in a passive manner." Then that question of, "If you are intrigued by earning ten percent or twelve percent and two points depending on the market that you live in and what the market bears," that is an opportunity to create that dialogue.

Once you understand what I do, Dan, then it is the time for me to say, "Hey, it may even be easier for you and actually be more advantageous for you to write that loan out of your IRA."

The reason that you want to start that dialogue from an IRA standpoint is it is patient money. If Dan becomes my private lender and he has got a hundred grand in cash, which not a lot of people do outside their IRA anyways, that money may be needed to pay for kids' college or other things that can transpire.

Whereas if you gave me the same hundred grand from an IRA, you are not touching it for ten, fifteen years. So I know that as long as I am a good steward of it, you are going to keep coming back for more and more. As I pay off a deal - you see that you made good money - you are going to be begging me to do the next deal.

Patient money is the best. IRAs represent generally the average individual's highest amount of liquid net worth because it is going to likely be held in some sort of public security that can simply be sold and transferred over to a custodian like NuView and then lent out to, in this case, Jason to go do a deal. The goal for all of us is to successfully do as many real estate deals as we can over the years. I make my money on the real estate side, and you make your money on the lender side.

Dan: Yes. I think you hit the nail on the head. I mean patient money is best, right? I have made the mistake of borrowing money from somebody who had no business whatsoever lending the money. Then he was calling me back nine weeks later in panic telling me, "Give me the money back. You got to give it back now," so finding the right person to do the loan.

I will share my own resource here. When people are listening to our show, accredited investors are who we borrow money from. That has a meaning to it. People would know who that is.

But you could see kind of my landing page, if you will if you go to fundrehabdeals.com. We have document examples of some of the note, mortgage, and kind of the process, right? That is how I communicate with my lenders. Anybody listening wants to do the same, you can sign up for the list and kind of kick the tires on it and see how I present that. It kind of might give you some ideas for your own pitching, if you will, of your rehab business.

One other piece I will share, too - and then we will kind of shift gears here a little bit - is if you are already rehabbing properties, it is really a difficult proposition early on if you have never flipped the house, and you are going to go have that conversation that Jason just mentioned with somebody. If it is Mom or Dad or your Aunt, you got a real strong personal relationship there, and they are ready to take that gamble on you, and together, it is probably a doable kind of a thing. For me, I found that that was not even doable early on either, right, until I had four or five deals, ten deals, twenty deals, thirty deals.

Once you have a volume of deals that you can create a pitch book, a presentation book, right, a binder, you got your before photos on the left-hand side of the page, you got the identical after photos of the product, the project, that you have completed there on the right-hand side of the page, and you turn that over, and the next page is your purchase HUD showing the price that you paid for the house, and the next page is the sale HUD showing that your private lender from that deal got paid off X amount of dollars at the closing table and you kind of show the profits that to that potential new lender, you show the actual profit on your deal by doing the math there, and maybe put your note and your mortgage in there. You kind of want to create a presentation piece to have the conversation with new people.

But early on, let us assume you have zero experience. You found a great deal. I think for me, what opened the door for me to get my first loan that ever came from a private lender out of his IRA was the first deal, I assigned it to the guy. He was already in real estate. The second deal, I brought it to him. I got this project in as property. It is under contract for a hundred and fifteen thousand, whatever it was. "Let us do this. This is my first JV deal. You are going to bring the cash. You are going to close on it in your LLC. We will do a piece of paper that says we are going to split the profits fifty/fifty."

This house did not actually need much. It was the hot market 2006. We sold it as a handyman special. That was the plan. We are going to sell it for a hundred and sixty thousand as is, and we are just going to keep it moving. We did pretty much that. We shared the profit.

That was kind of my breaking the ice if you will. On the fourth deal that I did in my entire career, that same gentleman lent me the money. Then we kind of had this relationship. Maybe it was JV sometimes. Maybe I was flipping sometimes. Maybe sometimes I was assigning the deal to him. We have done a ton of business since then.

But the bottom line, quick, easy takeaway for someone who does not have a ton of experience in camp with the pitchbook together, you got to get that first one under your belt. A good way to do that might be bringing the deal to the table and not even taking a fifty/fifty split with someone with more experience who kind of let you call this project your own, take pictures, get you to HUDS, close on it, allow you to complete the project so that you start to now have a bit of a resume to borrow more money. Cool.

So Jason, let us switch gears here just a little bit. Let us talk about different types of retirement accounts that somebody could have or should be aware of. If I am not mistaken, I think there is a way for me, as an investor, to actually pay for my daughter's college education by setting up a certain type of account. Are there other unique accounts that you would have a conversation with the client that anyone listening would think will be really valuable and eye-opening?

Jason: Yes. You hit on the educational savings account which is one of my favorite accounts that exist. You know, when we talk about plan types, I think what happens is people want to save as little as they have to. Nobody wants to put money away. It is just a human nature.

When you kind of get over that and realize that, "Yes. The more I save, the better off I will be later," you start to really understand that the government gives us lots of tools to save. I am a big believer in there is a big difference between making money and building wealth. The average person tries to make money, and the wealthy people do not try to make money; they try to build wealth. That is coupling both good earnings and investments with good tax strategy.

So IRAs really create that tax strategy for you. They are readily available. You do not need a team or arsenal of accountants on speed dial that tell you what to do, but rather you take advantage of these very black and white, readily available tools.

When we talk about retirement accounts, that is what gets you to retirement. There is a few different ways to get there. I think the only thing I will highlight here that is different is the difference between a traditional account and a Roth because I think it is something that most people choose traditional because that is what they have always chosen. I would encourage everyone to strongly consider the Roth. It basically says, "Pay the tax upfront. Whatever you earn is tax-free over the life of that account."

When you talk about twenty, thirty, forty years of tax-free growth, I do not care how much you charge me in tax today. I am going to win the game if I got twenty, thirty, forty years of tax-free growth. I would encourage everybody to take a look at the Roth no matter where you are from an income standpoint. Even if it seems expensive today, it will pale in comparison if you are a good steward of the money.

The second thing I would encourage everyone that is on the call that is self-employed or has some form of self-employed earnings even if you do have a full-time W2 job is to look at what we call the Solo QRP. It is referred to as the Solo 401k.

The Solo QRP is really like creating your own business, 401k plan against your self-employed earnings. It mimics what it looks like to work for AT&T while working for yourself. That plan has great contribution limits. It has a lot of benefits outside of what you can invest into. You get better control over it. I would encourage everyone to take a look at that. That is another form of retirement plan.

And then you have got, too, what we call special-purpose plans. They are not designed to give you tax advantage savings for retirement. They are tied; one is to education, and one is to health.

You already mentioned that kind of Educational Savings Account. This is one of my favorite plans. It is basically a Roth IRA for education. You get no tax benefit to put the money in. However, every dollar that you earn inside that account is one hundred percent tax-free when used for qualifying educational expenses.

Then the HSA is a Health Savings Account. If you have a high deductible health insurance plan, this is a way to save for your health expenses one hundred percent tax-free.

Both of these plans can be put into real estate. All the earnings come back into the plan one hundred percent tax-free. You can really amass good wealth, and now, create this environment where you can pay for your kids' college education one hundred tax-free.
You can do it with earnings rather than just principal.

Definitely, plans worth looking into. I could go on and on about them. But for the sake of time, I will not. I will just leave it with this. That is if you want to build wealth, you should be putting money into every single tax advantage program through IRAs or HSAs or ESAs that exist because it is the only way to both earn money, which is the investment side, and keep more of what you earn which is how you truly build wealth.

Dan: Love it. Let us play out an example here. Let us go with our Education Savings Account. You can put how much in there each year? Or how much would you typically start? Is there a limit that you would put into that ESA account?

Jason: ESAs are capped at two thousand dollars a year.

Dan: Right. Devil's advocate, right, this is where someone's mind might go here. "Okay, two grand a year. Geez. The kid is eighteen. I barely put thirty-six grand a year. I have not even paid for one year of college there."

What would be a creative way for somebody to put two grand into an ESA account, and then find a way to quickly do deals in that account with such a limited amount of capital? What is one creative way that someone has multiplied that two thousand into something substantial to pay for someone's college?

Jason: Well, there is a couple of ways to get there. That is the beauty of kind of how these accounts are set up. I will tell you exactly what I have done.

I have a nine-year-old. We have an ESA for him. I have an HSA against my insurance plan. I also have a 401k plan here at NuView that allows me to buy real estate.

When I started the ESA and the HSA-- about nine years ago on the ESA and about ten years ago on the HSA. When I started those, I had very little money in them. But I had about five years of a jump start on my 401k. The beauty is you can partner those accounts alongside each other.

One of the first deals that we did was I did a loan. I partnered off with two other people. Now, this was in 2009, if kind of my memory serves me right. Hard money was very hard to come by. It was the best deal I think I have ever come across. But we did a loan at fifteen percent. And we did it at two points.

It was a great deal for the buyer because it was rock-bottom prices. They needed money. They had to short sell a few houses. Traditional financing was not an option.

I do not remember the exact numbers. But I had about 40-something thousand dollars in my 401k. I had four thousand dollars in my son's ESA. This was actually 2011 or '12; I think it was. But I was able to do two-year contributions back-to-back, so I could contribute at the tail end of 2011 and very early in 2012. I had probably six or eight thousand dollars in my HSA.

I invested with another party. I owned maybe thirty percent of the loan in my 401k and seven percent in my HSA and six percent or five percent in my son's ESA. That generated fifteen percent plus two points.

Other deals that I have done was I have done some wholesaling deals with partners. I have thrown in a thousand bucks into the deal out of the ESA. We have put the property. We kicked back eight grand into the ESA.

That does not sound a lot. But once you do that a couple of times, you start to now have capital inside these accounts to go out and really engage in some bigger, more aggressive investments.

But the strategy of partnering on deals is great wholesaling and partnering on more quick hit-type investments especially ones where you can put as little possible money in, those can all represent great strategies.

Dan: Yes. I think the wholesale one, right? It is eye-opening for me. I have not heard the partner, the accounts together. That is a pretty interesting one. That way, you do. You have all these different buckets, right? You just described three that you had set up. You had multiple children. I assumed you would have multiple ESAs. The list could get long. So that would be one way to capitalize on it and get them all kind of pumping together at whatever percentage the hard money loan. You are the private lender in that instance.

But, man, the wholesale, if you could if you could steer a bunch of wholesale deals into the IRAs, I mean that is a way to quickly generate the capital. That is cool.

Jason, did any of the recent CARES Act adjust, take away, or add any benefits for investors in IRAs or otherwise that you would highlight?

Jason: Yes. They are more universal. They are not necessarily specific to self-directed accounts, but they are general.

If you are over seventy and a and a half or seventy-two, depending on the year in which you turn seventy and a half, you do not have to take a minimum distribution from your account this year. If you have a 401k plan, your loan provision that went from fifty thousand is now a hundred grand. If you have an inherited IRA that had a distribution requirement, that is waived for the year.

But one of the things that we have seen that has been pretty interesting is that the there is an ability to withdraw from your 401k or IRA up to a hundred thousand dollars and then repay it back to the account tax-free and penalty-free. Normally, you can only do that in very unique situations for only sixty. days. That is, now, good for three years.

You could, in theory, take a hundred grand out of your IRA as long as you meet the qualification, right, of financial need or some sort of COVID-related distribution. You could use that money personally for the next three years. And then as long as you put it back by the end of year three, it is completely tax and penalty-free. So it gives you some kind of unfettered personal use of your IRA money.

I am not a fan of that, because if you take it out of the IRA and you invest it, it makes money. While you get to keep it, you got to pay tax on it, then you might as well make the investment in the IRA and not pay the tax. But situations may prevail on your decision process there.

Something that we have seen that the CARES Act has kind of opened up is we have seen 401ks while you are actively employed, you are unable to take the money out. It is just the way that 401ks work.

With the CARES Act, if you are actively employed - maybe I work at AT&T - I can take up to a hundred grand out, right, as long as I have the appropriate need for it. Then I have up to three years to put it back, but I do not have to wait three years.

So if I have got a hundred grand locked in a 401k at AT&T, that can only manage mutual fund products, because that is all the plan allows. I can take a CARES Act distribution assuming that I meet the criteria. Then I could turn around once that financial need is gone. Maybe it is in a week or a month. I can contribute that right into an IRA, now, giving me the ability to go self-directed. That is a pretty powerful tool to access some of that 401k money.

Dan: Yes. It is interesting. I kind of have the same feeling as you. Man, you did all of that work to not touch, not access that money for all that time for it to pile up. I think it would be just a tempting thing for someone. Take it out for the three years. What use is going to occur with the money during that three-year period? I mean, obviously, it is to cover bills, and it is kind of this life-traumatic event is why they put it there. Man, I just feel a lot of people take the money. It is never going to make its way back in. There is going to be a tax bill at the end.

But we will say, everyone listening, and all of our clients, Jason, are highly responsible individuals. They are really great investors. They are not going to screw the pooch on a 100k.

IRAs, in my experience - borrowing from them, doing the paperwork- it is a giant hassle to fund a loan. It is just back and forth trail of paperwork. What was the deal? Is there a better option than me having to get you to initiate each loan? I am filling out the investment directive for each loan. I mean there has got to be a better way, right?

Jason: Yes. It really depends. I mean there is really a few different ways to structure your self-directed account. It really goes down to what you are going to use the money for.

We have over ten thousand customers. They run the gamut. I have got clients that have one investment. I have got clients that have fifty investments in a year. The more active you are, the more advantageous setting up a checkbook control LLC becomes whereby you can set up the LLC, direct the IRA, in this case, your NuView, to fund the LLC. Then you, as the IRA owner, can go manage that LLC and go make the investments on behalf of the LLC which is ultimately the IRA.

Really, that is a great strategy if you are going to be active in the account: three, four, five investments a year. If you are going to do less than that, the LLC fees and the record-keeping and tracking of the LLC and things you are now responsible for may not be worth the work and energy. But that is a decision you get to make.

If you are doing one or two deals, it is best to probably just go through NuView and say, "Hey, here is my deal. What is the process?" Fill out a few forms. Let us fund it. We just find that for a couple of deals, it really does not make sense to add any extra effort. You can if you qualify. This is where that Solo QRP comes in.

The solo QRP is really a 401k plan with built-in checkbook control. If you have any form of self-employed income, you qualify. You could establish the Solo QRP. You do not have to go through NuView for anything beyond the plan docs, the establishment.

But as far as setting up your own bank account, making your own investments, you can do all of that without the need of an LLC. You do not have any additional LLC filing requirements, additional LLC fees. You just have a 401k, and you go run it. You get to manage all your own investment.

That plan is by far the best structure and strategy regardless of what you are going to do if you qualify. If you do not, then it really boils down to, "What is my activity going to look like? Am I going to passively write one loan a year?" If so, "Let me just rely on NuView for that if I am going to be actively loaning out six, eight, ten, twelve times a year." Then yes, put in the extra effort. Spend a few extra bucks. Set up your LLC. You do not have to go through NuView every time.

Dan: Got it. The Solo QRP is the kind of thing I am vaguely aware of, this certain kind of self-employed way to have my company make this very large contribution to my IRA. I have not done this yet. I am probably not getting the facts correct.

Let us say I have two hundred thousand dollars right off the top. I am at the highest tax bracket. I have an S Corporation. I want to chunk that whole 200k off into some kind of an IRA plan right now to the end of the year. I guess it is sort of profits out of the business. It is the business contributing to the 401k that I am setting up for myself as the only employee of that S Corp.

Is that something I am way off in the woods and do not have my facts straight? Or is there some way to methodically take appeal of the profit off the top if you are really killing it in business, and you are not interested in paying all the taxes on that money just to keep it but instead shelling it off into the savings for a long term?

Jason: You are close. I mean your premise is spot-on. Just some clarification on the dollar amounts.

The way it works is really exactly how you described from a standpoint of you have got a couple hundred thousand dollars of earnings. Whether you have fifty or five hundred, it does not matter. What matters is that your earnings are considered self-employed, right? You are subject to self-employment tax of some kind. In this case, you are filing as an S Corp. But at the end of the day, it meets their litmus test.

Once you meet it, then it makes you self-employed. You can set up a Solo QRP which is a regular 401k for businesses that do not have any common-law employees.

So, Dan, you could take that and say, "You know what? Yes. I do not have an employer or employees. It is kind of me wearing both hats. I am going to set this plan up." It allows you to, as an employee, put away nineteen thousand five hundred. Do not quote me on the exact numbers. I am within a few hundred. But it allows you to put nearly twenty grand dollar for dollar as the employee and then as the employer, up to twenty-five percent with a cap of fifty-seven or so thousand dollars a year.

What is really cool about this is even if you have a smaller amount of self-employed income but you have other passive income-- maybe your income really for tax purposes is only fifty grand, well, the beauty is you can take twenty grand right off the top into the plan right, dollar for dollar. Then you can take another twenty-five percent of the fifty which is twelve-five, and you can get thirty-two thousand five hundred bucks out of fifty thousand dollars of "self-employed earnings" right into this plan.

It is fantastic if you are trying to save. It is fantastic if you want full control. It is fantastic if you may need to borrow from it at a later date personally which IRAs do not allow.

There are some really cool plans or benefits of the plan. Bottom line is if you are self-employed, this thing trumps every IRA that is on the marketplace times ten. If you have a dollar of self-employed income, I would strongly advise you to consider calling our office and really talking to us about this plan, because you will not find a better opportunity to save.

Dan: Yes. It is pretty cool. With an eye on the clock, I did have one last little thing you could maybe button on here for us. That would be what are the types of investments that would be allowed? We already talked about notes and mortgages. We talked about investing in LLC. We talked about investing in real estate so far.

Are there any other things that people should be aware of that might be candidates for their IRA to self-direct and invest in?

Jason: Yes. I will answer that from two directions.

First is the IRS kind of approaches us what I refer to as the toddler rule which is they do not really tell us what we can do. They tell us what we cannot do, right? For those with kids, you kind of understand that at toddler stage, "Do not do that. Do not eat that. Do not climb on that," right? It is easier than walking around telling them what they can do.

When it comes to self-directed accounts, when Congress kind of wrote these laws, and the IRS is charged to enforce them, they realized that they cannot create this long laundry list of permissible investments. Instead, they created a list of prohibited investments. And it is small. The only thing you cannot do in an IRA is invest in a life insurance or collectibles or invest anything that really is family-related that is going to give you some tangible benefit outside of the tax benefits of the IRA.

The list of what you can do, while not defined, we kind of answer based on what our clients do.

It really boils down into three asset classes.

The first one is real estate. When we say real estate, we have seen it all. We talked about single-family, multifamily kind of rental type, fix and flips. We have clients that own burial plots, boat slips, coops, hunting leases. If you name it, you can do it. If it is deeded real estate, it can be held international or domestic.

The second asset class is private loans. This is where we talked about kind of this hard money or private loans which are really mortgages. We have seen personal notes, unsecured notes, lines of credit. We have seen credit facilities for businesses, mezzanine, and construction financing. You name it. If it kind of has an interest rate and a maturity, you can do it. It falls into the debt asset class.

The third asset class is private equity. This is where any sort of private business investment would fall if you want to do invest into your neighbor's lawn care business or the restaurant that is opening around the corner or whatever it may be. That is a huge business and industry. We have as many clients from a dollar value in private equity as we do in real estate.

Private equity also would include syndications, packaged-up deals which can be real estate in a lot of cases. But anything that is bought as an entity rather than the asset directly would fall into our private equity asset class. That is about ninety-five percent of what our clients hold. The other percentage - not that it is not popular; it just pales in comparison in dollars - would be things like precious metals, cryptocurrency, tax liens, tax certificates. Got a client that owns a racehorse. That would be the more esoteric type investments.

Dan: Racehorse. You got to imagine. I mean that one has got to be where the IRS is over there with the crooked eye looking at him like, "Yes, the racehorse? Then we need to get [inaudible] that guy."

Jason: Yes. I mean the beauty of self-direction-- I do not say this to invite people to try to commit fraud. But we do not report holdings specifically. We check a few boxes on our reporting of asset classes, so they may know you have a private equity or something unique or a closely held business or real property.

But we do not tell them you own a house, or you own a racehorse, or you own anything unique. We just checkboxes off that say, "The portfolio balance is eight hundred grand. Of that eight hundred grand, public securities, private securities, and real estate are held." Not to say that it is a license to go misbehave, but the beauty is the IRS is not really looking at these.

That said, if this individual were audited, you better believe when they saw a racehorse and an IRA that they are certainly flipping down those big green visors, and they are going to pull back that paperwork until they really understand what the client did.

Dan: Yes. Absolutely. It is interesting. Now, you say the private equity thing. On one hand, in my mind, I am like, "Geez, the restaurant down the street just got shut down from COVID and so did the local nightclub." It seems like this kind of a scary type of investment class. I mean no, not for the multifamily businesses. Multifamily, large investments, syndication deals are probably the majority.

But for somebody who is going to have their IRA money partner with the arm's length individual that they met who is a good chef and in a non-COVID environment and have the IRA and the retirement on this chunk of a business, it is just pretty cool.

I have been around the real estate thing awhile, Jason. Normally, I am thinking, "No. It is mortgages, syndications, fix and flips." I kind of have this box. But that is cool that other type of businesses are also able to enjoy the investment vehicle that we have set up here. Cool.

So what would be two book recommendations you would make to our audience here, Jason?

Jason: Well, these may be books that you have read. They are books that have been impactful in my life.

The first one is Rich Dad Poor Dad, Robert Kiyosaki. I think it is kind of the elementary kind of approach to understanding how money really works. If you have not read it, take some time and read it. I cannot recommend it enough. There are a few things in there that you can kind of gloss through. Overall, it simply paints the picture on really building wealth and getting ahead versus just simply working for the same company for fifty years and getting the gold watch and hoping that you saved enough for retirement, and your managed mutual funds we are successful.

The second book I would recommend is The Richest Man in Babylon. It kind of tells the story of how to manage money through the Babylonians. It illustrates that all the same things that we have, these shiny things that are always in front of us that we can go blow our money on, generally, are fool's gold at the end of the day. The real value in building wealth is understanding what money really is. It is kind of a great story. If you have not read it, I would encourage you to read it.

Those two would be my two recommendations.

Dan: My [inaudible] - read them both - had similar takeaways there. If anyone has not yet, they would be on the list, right? I am sure everyone has read Rich Dad Poor Dad. That is kind of a doorway into this whole realm of wealth building for most of us out here.

Jason, if you could go back and share the crown jewel of wisdom with yourself - I do not know, fifteen years ago, your younger self - what would that be?

Jason: Well, it is something that I actually try to remind myself all the time. You do not know what you do not know. As cliché as that is, we all have a level of ego and arrogance that tells us that we get a little bit of smarts, and we think we have a lot of smarts. We get a little bit of anything, and we think we have a lot of it.

I have learned that every bit of experience that I learned through others is great because I get the lesson without the experience. Everything that I kind of think I know and try to go out and execute on without any sort of understanding of not knowing what I do not know, I get the experience and the lesson. A lot of those experiences are painful. They are very expensive lessons to learn.

Sometimes we just got to get out of our own way and surround ourselves with people that are smarter than us. Ignorance is bliss. The good news is ignorance is curable. Stupidity, unfortunately, is not.

But learning from other people's mistakes is the most effective way to learn lessons, just knowing what you do not know, being willing to look at a deal or an investment or anything in life, and figuring out, "Who do I know in my social circle that probably knows more about this than I do?" It could be the best lunch you ever bought. It gives you time to catch up, and gives you a chance to ask, "What am I missing here? What have you learned that you can help me with before I go through this process?"

Dan: Yes. As you say that, I am holding my head in embarrassment at probably my first five years in the real estate business. I was young and had a lot of bad habits and challenges growing up that I was able to shed. But I probably - I do not know - did ten deals. We brought in a couple of hundred grand. I thought I knew it all. I did not bother keeping my mind open to even looking for the wisdom and the experience from other people.

This is a time before podcast, no BiggerPockets. You had to find the books and be recommended with books usually by people that you happen to come in contact with back in those earlier days, here [?], real estate where we were blessed not to be but great jewel of wisdom for sure.

So Jason, if anybody would like to get some more information about you or NuView Trust or IRA, where can they go?

Jason: Easiest way to get to us is nuviewtrust.com. It is NuView with a U, n-u-v-i-e-wtrust.com. There is plenty of information there. You can go onto our blog section. It is chock-full of content kind of going back to that "you do not know what you do not know".

Spend a few hours on the site looking through some content. There is certainly going to be some nuggets of wisdom that you can gather either by NuView or the third parties that we brought into help curate some educational content.

Dan: All right. Cool. Ton of wisdom here. I really appreciate you coming on the show, Jason, blocking out the distractions, and giving us your time. Great episode. Thanks.

Jason: Hey, Dan. Thanks for having me.

Dan: Thank you for tuning in to this episode of the R.E.I. Diamonds Show. Remember to review and subscribe on iTunes or your favorite podcasting app. Just search R.E.I. Diamonds and click subscribe.

You can also sign up to receive new episodes, notification emails at reidiamonds.com as well as check out the one-hundred-and-sixty-nine-episode archive of Wealth Building, Real Estate Investment, Choose Wisdom.

I have made millions of dollars by using the wisdom shared on the show over the last few years. I hope you can, too. That website is reidiamonds.com.

My main business is buying and selling houses, two hundred and twenty-three houses bought and sold in 2019 and two hundred and nineteen houses bought and sold so far in 2020. We currently have another one hundred and thirty-three houses in our inventory either under construction, for sale, or sold awaiting closing.

Here are three ways that you and I can do business. Number one, if you buy houses in Atlanta, Chicago, or the Philadelphia region, go to dealswithroi.com and sign up for the correct buyer's list there. As of this recording, there are five lists in total separated by region. So be sure that you are on the correct page when signing up to receive that local areas deals.

Number two, if you are an accredited investor and you would like to fund a deal or many deals, go to fundrehabdeals.com and sign up to receive private mortgage investment opportunity emails.

Number three, if you have a deal for sale in either Atlanta, Chicago or the Philadelphia region, please send me an email with the detail.

So what is the number one mailing list for off-market deals in terms of ROI, your best return on investment? Do not laugh at the answer. Your in-house, self-developed driving-for-dollars list is the number one hands-down winner.

Think about it. Only houses that need repairs, look vacant, and/or are totally outdated end up on that list. No other investor has that same list. So you have lower competition. The issue is keeping the list organized, tracking your driving routes so that you do not double drive over the same area twice, miss streets, et cetera, looking up the addresses for owners, then researching the equity, and then even processing the mail campaign.

I found a source that is better than the spreadsheets and Google Map and disjointed system. If you go to www.reidealmachine.com, you can sign up for free to access the app and software for developing your own high ROI, exclusive driving-for-dollars list, and deal machine. The website again is www.reidealmachine.com.

We are at the end my friend. Next up, we have a special sneak peek behind the strategy of the R.E.I. Diamonds Show, first-ever with content marketing strategist, Lindsay Phillips.

As a bonus on that next one, if easily raising a ton of capital to do real estate deals sounds like something that you would be interested in, be sure to tune in next time. Until then, keep closing deals, and I will catch you on the next one.

[music] Voice Over: Thank you for listening to this episode of the R.E.I. Diamonds Show with

Dan Breslin. To receive email notifications of new weekly episodes, sign up at www.reidiamonds.com.

[End]